

# The health impacts of active labour market policies

## BACKGROUND

### Policy conclusions

- Personalisation and targeting of individual circumstances should be key design features of ALMPs.
- Designers of ALMPs should consider how programmes might mimic the latent functions of work as a potential way of mitigating the negative psychological impacts of unemployment.
- Key to this, ALMPs should contain activities that are perceived to be meaningful and useful by participants.
- ALMPs which are stigmatising and disempowering risk being as 'unhealthy' as unemployment. The use of mandatory participation and sanctions need to be reconsidered in the light of their potentially negative health impacts.
- Formal education and training are likely to play an important role in re-integrating persons with health problems on the labour market.

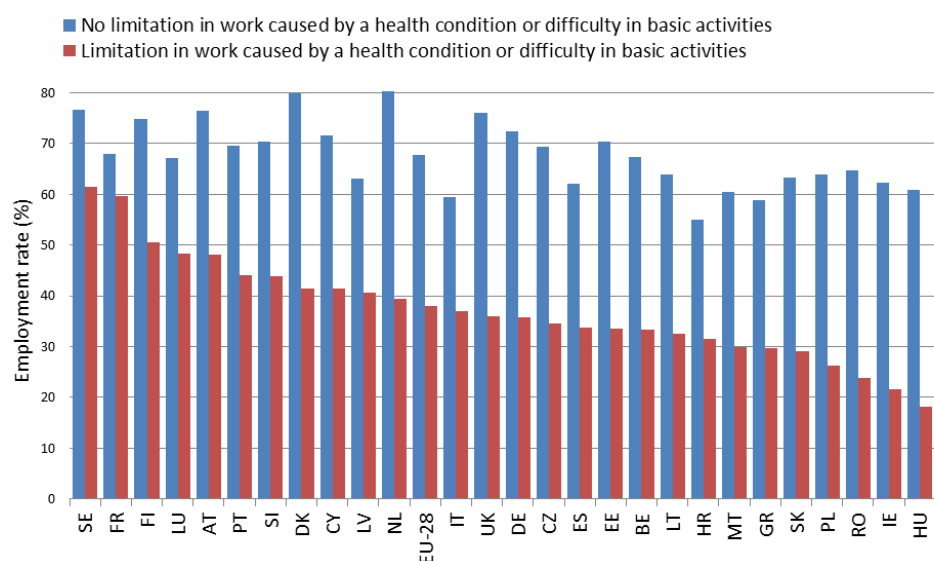
### Authors:

**Lars Leemann, lic. phil.**  
National Institute for Health and Welfare (THL), Finland  
**Iben Nørup, PhD**  
Aalborg University  
**Stephen Clayton, PhD**  
University of Central Lancashire

Over recent decades, Active Labour Market Policies (ALMPs) have been widely used across EU countries as a means of assisting the unemployed back into work and overcoming perceived welfare dependency. In contrast to the provision of 'passive' welfare benefits, ALMPs aim to 'activate' the unemployed and increase their employability through measures such as job search assistance, vocational rehabilitation and training, and subsidised employment. These measures are often accompanied by more negative incentives, such as benefit conditionality and sanctions for non-participation.

In recent years, the EU has embraced an employment strategy aimed at the active inclusion of people excluded from the labour market<sup>1</sup>. Within this strategy, ALMPs play a key role as a means of integrating groups in vulnerable labour market positions into labour markets and are thus considered a major instrument to achieve more inclusive labour markets. ALMPs are regarded as a social investment to prevent future costs resulting not only from unemployment but also from social exclusion and poverty, particularly ensuing expenses for social security and healthcare<sup>1,2</sup>.

Despite the implementation across Europe of ALMPs aimed at reintegrating people with disabilities and chronic health issues into the labour market, employment rates for people with these issues are generally significantly lower than for those without (Figure 1). Being in good employment is widely



**Figure 1.** Employment rates of persons aged 15-64 with and without limitation in work caused by a health condition or difficulty in basic activities, 2011. Source: Eurostat LFSO.

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recognised as having physical and psychological health benefits for people with and without disabilities and health problems, thus helping people move into good employment can have both health and economic benefits for individuals, and potentially reduce welfare costs for governments. However, evidence on the effectiveness of ALMPs to improve participants' employment chances remains somewhat ambiguous and shows a considerable variation between different intervention types, though overall the effects appear to be quite small<sup>3</sup>. Whilst the effectiveness of ALMPs as a means of moving people into work may be unclear, such programmes may have positive health effects that can be viewed as a worthwhile outcome for government investment.

## EMPLOYMENT, ALMPs, AND HEALTH

Recent studies have suggested positive health impacts from participating in ALMPs<sup>4-8</sup>. These studies often refer to psychosocial theories of the relationship between work and wellbeing. The first is Jahoda's theory of latent deprivation<sup>9</sup>: unemployment deprives people of a set of latent functions of work, i.e. time structure, social activity, collective endeavour, regular activity and status and identity. These latent functions are in contrast to the manifest functions provided through increased income. It is suggested that ALMPs mimic certain characteristics of employment and thus may provide some of these latent functions, particularly time structure, social activity and regular endeavour, and thus 'mediate' the negative psychosocial effects of unemployment<sup>5,6,10</sup>. Accordingly, different types of ALMPs may be more or less effective at mitigating the negative effects of unemployment depending on the extent to which they provide an effective replacement level of these latent functions.

A second theoretical support is Fryer's Agency Restriction Theory which views people as socially embedded agents striving for purposeful self-determination<sup>11</sup>. Unemployment deprives people of their economic self-sufficiency, but also impedes meeting social obligations and expectations leading to loss of control over their own life course. Thus unemployment undermines individuals' ability to maintain self-determination and results in psychologically corrosive poverty<sup>12</sup>. ALMPs may provide an antidote by enabling the unemployed to improve their future employment prospects through enhancing skills thereby raising participants' sense of control and supporting self-determination. However, this does not offset the psychological impacts of poverty, which Fryer notes can undermine the effects of any latent functions, and low status, disempowering, stigmatising and ineffective mandatory ALMPs may be just as unhealthy as unemployment or poor quality employment<sup>13</sup>.

A third theory drawn on is the Coping Theory developed by Halvorsen<sup>14</sup>. As with Agency Restriction Theory individuals are viewed as active agents who act and react to social circumstances. Halvorsen suggests that individuals cope with unemployment in various ways. This means that the negative social and psychological effects will depend to a large extent on individual factors such as work identity and health as well as structural factors such as alternative income sources, alternative activities, the degree of social stigmatisation and suspicion and the role and focus of the public service providers (e.g. activation services), which affect the individual's ability to cope<sup>14-16</sup>. In order for ALMPs to be successful in preventing social marginalisation and negative mental health effects, they should be designed to improve the preconditions for coping, for example by providing meaningful alternative activities with a low degree of stigmatisation or suspicion toward the individual.

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While the starting points for the three theories differ – Jahoda argues for the latent functions of employment, Fryer for the manifest and Halvorsen for both – all of them emphasise the role of psychosocial wellbeing as both a health outcome and as a foundation for return to work activities. Correspondingly, most empirical studies on the health effects of ALMPs focus on psychosocial outcomes.

## EMPIRICAL EVIDENCE

Although some studies do not find positive impacts of ALMPs on health outcomes, a substantial number of studies provide empirical evidence of beneficial effects. The vast majority derive from evaluations of a specific intervention or programme, while there are relatively few studies employing national data and even fewer studies providing cross-national comparisons.

To date, there are two cross-national studies examining non-economic effects of ALMPs<sup>4</sup>. Stuckler et al. analysed longitudinal data from 26 EU countries to examine the relation between per capita spending on ALMPs and suicide rates over different economic cycles<sup>7</sup>. They found an overall association between economic change and suicide rates, but observed great differences between countries. Countries with very low per capita expenditure for ALMPs showed a strong tie between economic decline and rising suicide rates, whilst countries with high per capita spending showed no correlation.

Anderson used data from 17 European countries to examine whether expenditures on ALMPs were related to three different measures of social ties and wellbeing. The analyses showed positive associations between countries' ALMP expenditures and the outcome variables, moreover, the associations were stronger for people in more precarious labour market positions<sup>17</sup>. Though there is a need for robust cross-national studies in this area, the interpretation of findings faces challenges when moving from observed correlations to explanations and causality due to national variations in welfare systems, labor markets and social structures.

At the national level, a recent study<sup>5</sup> analysed longitudinal data from the British Household Panel Survey (BHPS). Compared to open unemployment, participation in ALMPs reduced psychological distress while satisfaction with life increased. These results support an earlier study analysing BHPS data, which found similarly positive impacts of ALMP participation on mental wellbeing<sup>6</sup>.

Strong evidence from evaluations of specific ALMP interventions comes from the extensive high quality assessments of the JOBS programme in the US and the Työhön programme in Finland. In addition to beneficial effects on reemployment, the evaluation of the JOBS as well as the Finnish Työhön job search programme showed positive impacts on mental health, which could be found even two years after the intervention<sup>18,19</sup>. Compared to the control group, participants exhibited lower levels of depressive symptoms, lower likelihood of experiencing a major depressive episode during the last year, and better role and emotional functioning<sup>19</sup>.

Analyses of panel data gathered during the Finnish Paltamo Employment Model found positive effects on health and wellbeing, particularly on trust towards local authorities, use of health care and electronic services, healthy eating habits, social participation, perceived loneliness, alcohol use disorders, self-reported back pain, and use of painkillers<sup>20</sup>.

According to comprehensive literature reviews, participation in ALMPs can yield various beneficial health outcomes<sup>6,10,21</sup>. Among the main effects they list:

**Project: Cost-effectiveness of policies aimed at prolonging working careers - the role of health (EU-HEMP)**

EU-HEMP is an EU-funded project studying the impact of health in increasing employment rate and labour market participation. This series of policy briefs is produced as part of the project.

The principal objectives of the project are the following:

1) Producing and gathering evidence on the cost-effectiveness of strategies aimed at reintegration of disabled people, people on sickness leave and long-term unemployed people into the labour market and policies aimed at prolonging careers of near-retirement people. In short, we study the role of health in increasing employment.

2) Policy recommendations for the design of more cost-effective social policies will be made based on data analyses, comparative policy analysis and review of best practices.

3) Creation of an international expert network in the field of rehabilitation, reintegration, disability and health policies in connection with labour markets and focusing on the cost-effectiveness of these policies.

**Link to the website**

The project is funded by the European Commission (agreement no. VS/2014/0174) together with the National Institute for Health and Welfare.

National Institute for Health and Welfare  
PI 30 (Mannerheimintie 166)  
00271 Helsinki  
Puhelin: 029 524 6000

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- reductions in psychological distress, depression, anxiety, and sense of helplessness;
- increased subjective wellbeing (e.g. life satisfaction, perceived exclusion, more social contacts);
- higher levels of control/mastery and self-efficacy;
- improvements in motivation and self-esteem;
- improved social support.

It is important to keep in mind the range of individual responses to unemployment and ALMP participation<sup>19,20,22</sup>. Other studies show negative social and health consequences of participation in ALMPs for individuals with very extensive health issues<sup>21,23</sup>, and for specific ALMP components<sup>24</sup>. Hence the literature suggests that a number of individual factors mediate the consequences of unemployment as well as the effects of ALMPs.

### CONCLUSIONS AND RECOMMENDATIONS

The effects of ALMPs have been a central focus for political debate and policy making over the past three decades. The psychosocial theories presented strongly suggest that ALMPs should have a positive effect on the social inclusion and health – in particular mental health – of the unemployed. However, a growing theoretical critique has emerged claiming that ALMPs are based on misguided assumptions about unemployed peoples' motivations, agency and social lives and an individual, supply side focus that ignores the structural causes for unemployment, which cannot be addressed by ALMPs<sup>25-27</sup>.

Evidence on the health effects of ALMPs is limited and dominated by evaluations of particular programmes. The evidence suggests that ALMPs could improve the mental health and social inclusion of unemployed people, although there is still issues of selection into programmes of people who are more likely to benefit, and little is known about the differential effects by socio-economic status, education level, existing health status, ethnicity, gender, etc.<sup>14</sup> Further research should take these heterogeneity problems into account and investigate the effects of ALMPs on specific subgroups (e.g. people with existing health conditions).

It is also highly necessary to distinguish between different types of ALMPs as well as to qualitatively distinguish between the content of different ALMP programmes<sup>14,22,28</sup>. This is in line with the theoretical assumptions in both the Agency Restriction Theory and the Coping Theory. More research that investigates for whom and under what circumstances ALMPs are efficient in improving health, labour market inclusion and social inclusion are urgently required.

The evidence on the health effects of ALMPs also suggest that the content of programmes may have negative health impacts, particularly where programmes are perceived by participants as stigmatising, not matching their needs or participation is mandatory and supported with sanctions. The health effects of mandatory participation and benefit sanctions have yet to be satisfactorily assessed, but the theoretical literature would suggest that these have a negative impact on participants' wellbeing, and would need clearer evidence to justify their use in such programmes particularly with people with existing health conditions.

The importance of individually planned programmes are often stressed politically as well as by researchers while at the same time demands for evidence based studies of general effects are high. This constitutes a paradox as it is not possible to measure general effects from individually planned efforts as the causal mechanism here are assumed to be individual and not general.